

*CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY*

*FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION*

*DECEMBER 31, 2019*

**CITY OF SCHENECTADY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

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DECEMBER 31, 2019

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
City of Schenectady  
Industrial Development Agency  
Schenectady, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Schenectady Industrial Development Agency (the "Agency"), which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2019, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

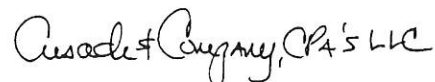
Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statements. The accompanying supplementary information on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accounting supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information on page 9 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2020 on our consideration of the entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York  
February 25, 2020

**CITY OF SCHENECTADY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019

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**Assets**

Current Assets:

Cash	\$ 345,426
Prepaid Expenses	<u>226</u>
Total Current Assets	345,652

Land	7,956
Notes Receivable	<u>224,000</u>

\$ 577,608

**Liabilities and Net Position**

Current Liabilities:

Accounts Payable	\$ 2,400
Deferred Revenue	<u>14,514</u>
Total Current Liabilities	16,914

Net Position

Unrestricted	<u>560,694</u>
	<u><u>\$ 577,608</u></u>

**CITY OF SCHENECTADY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION*  
*FOR THE YEAR ENDED DECEMBER 31, 2019*

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Revenues:	
Administrative Fees	\$ 516,249
Miscellaneous Income	<u>2,420</u>
Total Revenues	<u>518,669</u>
Expenses:	
Project Expenses	16,800
Professional Fees	13,019
Management Fees	149,535
Miscellaneous	<u>5,133</u>
Total Expenses	<u>184,487</u>
Change in Net Position	334,182
Net Position, Beginning of Year	<u>226,512</u>
Net Position, End of Year	<u><u>\$ 560,694</u></u>

*CITY OF SCHENECTADY*  
*INDUSTRIAL DEVELOPMENT AGENCY*  
*STATEMENT OF CASH FLOWS*  
*FOR THE YEAR ENDED DECEMBER 31, 2019*

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Cash Flows Provided by (Used in) Operating Activities:	
Receipts from Customers	\$ 516,249
Payments for Project Expenses	(24,850)
Payments to Vendors	<u>(167,687)</u>
Cash Provided by Operating Activities	323,712
Cash Flows Provided by Investing Activities:	
Payment on Loan Receivable	<u>4,000</u>
Increase in Cash	327,712
Cash, Beginning of Year	<u>17,714</u>
Cash, End of Year	<u><u>\$ 345,426</u></u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:	
Change in Net Position	\$ 334,182
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:	
Change in Operating Assets and Liabilities	
Accounts Payable	(8,050)
Deferred Revenue	<u>(2,420)</u>
	<u><u>\$ 323,712</u></u>

**CITY OF SCHENECTADY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*NOTES TO FINANCIAL STATEMENTS*  
*DECEMBER 31, 2019*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Purpose*

The City of Schenectady Industrial Development Agency (the “Agency”) was created during 1977 by the City Council of the City of Schenectady (the “City”), under the provisions of Chapter 783, Section 856.1-a of General Municipal Laws of New York State for the purpose of encouraging economic growth in the City. The Agency, although established by the City Council of the City, is a separate entity and operates independently of the City.

The Agency’s function is to authorize the issuance of industrial revenue bonds for industrial development projects and to assist businesses in acquiring or constructing various facilities in order to provide job opportunities and increase economic welfare. In return for its efforts, the Agency receives application and closing fees related to this business financing.

A summary of the significant accounting policies applied in the accompanying financial statements follows.

*Accounting Method*

The Agency’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for public authorities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of the Agency are included in the statement of net position.

*Estimates*

In preparing financial statements in accordance with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**CITY OF SCHENECTADY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*NOTES TO FINANCIAL STATEMENTS (CONTINUED)*  
*DECEMBER 31, 2019*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Cash*

The Agency's investment policy and statutes authorize the Agency to maintain deposits with FDIC-insured commercial banks located within the state. The Agency is authorized to use demand accounts, money market accounts and certificates of deposit. Collateral is required for all deposits not covered by federal deposit insurance. As of December 31, 2019, all of the Agency's deposits were fully insured or collateralized.

*Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

*Capital Assets*

Capital assets are reported at the lower of cost or expected realizable value. All capital assets held by the Agency are nondepreciable assets comprised of land. Expenditures for acquisitions, renewals and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. The Agency uses a capitalization threshold of \$1,000 to analyze expenditures for capitalization. When capital assets are retired or disposed of, the appropriate accounts are relieved of costs and any resultant gain or loss is credited to operations.

The Agency evaluated prominent events or changes in circumstances affecting capital assets to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude, and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2019.

*Industrial Development Revenue Bond and Note Transactions*

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by these payments. The bonds and notes are not obligations of the Agency, the City, or New York State. The Agency does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of the bonds and notes. Industrial development revenue bonds issued and outstanding at December 31, 2019 were \$4,310,000.

**CITY OF SCHENECTADY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*NOTES TO FINANCIAL STATEMENTS (CONTINUED)*  
*DECEMBER 31, 2019*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Tax Status*

The Agency is exempt from federal, state and local income taxes.

*Subsequent Events*

In preparing the financial statements and notes thereto, the Agency considered subsequent events or transactions as to any potential material impact on operations or financial position occurring through February 25, 2020, the date the financial statements were available to be issued. No such events or transactions were identified.

**2. CAPITAL ASSETS/LAND**

The Agency has been developing and renovating various areas to promote future economic growth and to revitalize the City, with development costs summarized as follows:

451 Duane Avenue	\$ <u>7,956</u>
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**3. NOTES RECEIVABLE**

During 2013, the Agency made a \$200,000 thirty year loan bearing interest at 1% to the Development of Broadway, LLC. Interest and principal are due in full in June 1, 2043.

During 2016, the Agency sold land for \$40,000 payable in interest free annual installments of \$4,000. The balance due on the note at December 31, 2019 was \$24,000.

**4. ADMINISTRATIVE SERVICE AGREEMENT**

Effective in 2012, the Agency entered into an administrative service agreement with the Schenectady Metroplex Development Authority (the "Authority"), an unrelated party. In accordance with the agreement, the Authority provides general administrative functions and other requested services for the Agency at 30% of the administrative fees collected at closing of projects. The management fee was \$149,535 for the year ended December 31, 2019.

## **SUPPLEMENTARY INFORMATION**

**CITY OF SCHENECTADY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*STATEMENT OF INDEBTEDNESS*  
*FOR THE YEAR ENDED DECEMBER 31, 2019*

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2019</u>	<u>Issued During 2019</u>	<u>Principal Payments 2019</u>	<u>Outstanding December 31, 2019</u>	<u>Final Maturity Date</u>
Union Graduate College	01/08	2.30%	\$ 4,475,000	\$ -	\$ 165,000	\$ 4,310,000	09/37

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
City of Schenectady  
Industrial Development Agency  
Schenectady, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Schenectady Industrial Development Agency, which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Schenectady Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Schenectady Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Schenectady Industrial Development Agency's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Schenectady Industrial Development Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Schenectady Industrial Development Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Schenectady Industrial Development Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Schenectady Industrial Development Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
February 25, 2020

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
LAWS AND REGULATIONS RELATED TO INVESTMENT  
GUIDELINES FOR PUBLIC AUTHORITIES**

Board of Directors  
City of Schenectady  
Industrial Development Agency  
Schenectady, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Schenectady Industrial Development Agency (the "Agency", a New York State public benefit corporation), which comprise the statement of net position as of December 31, 2019, and the related statements of revenue, expenses and change in net position and cash flows for the year ended, and have issued our report thereon dated February 25, 2020.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In connection with our audit, nothing came to our attention that caused us to believe that the Agency failed to comply with the Agency's own investment policies as well as applicable laws, regulations, and the State Comptroller's Investment Guidelines. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Agency's noncompliance with the above referenced requirements, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management of the Agency, the Board of Directors, and New York State Comptroller and is not intended to be and should not be used by anyone other than those specified parties.



**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
February 25, 2020